

ELK TOWNSHIP
Overbrook, Kansas

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2017

And

INDEPENDENT AUDITORS' REPORT

...*KL*...

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Certified Public Accountants

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**ELK TOWNSHIP
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Karlin & Long, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Elk Township
Overbrook, Kansas

We have audited the accompanying fund Summary Statement of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash Balances of the Elk Township, Overbrook, Kansas ("Township") as of and for the year ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Township on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Township as of December 31, 2016, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the fund Summary Statement of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-nonbudgeted funds (Schedules 1 through 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants
Lawrence, KS

July 2, 2018

ELK TOWNSHIP
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2017

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<u>Governmental Type Funds</u>							
General	\$ 0	\$ 0	\$ 38,027	\$ 27,096	\$ 10,931	\$	\$ 10,931
Special Revenue Road Fund	0	0	262,472	180,555	81,917		81,917
Non budgeted funds Special Machinery Fund	50,660	0	297	22,302	28,655		28,655
Total Reporting Entity	\$ 50,660	\$ 0	\$ 300,796	\$ 229,953	\$ 121,503	\$ 0	\$ 121,503
Composition of Cash							
			Checking Accounts				\$ 79,153
			Savings Accounts				42,350
			Petty Cash				
			Certificates of Deposit				
			Total Reporting Entity				\$ 121,503

The notes to the financial statements are an integral part of this statement.

ELK TOWNSHIP
Overbrook, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Elk Township (the Township) is a municipality that provides service to residents in the Township. The Elk Township is a municipal corporation governed by an elected council. The regulatory statement presents the Elk Township (the municipality) financial position. There are no organizations which meet the criteria for being combined in the Township's report.

The following types of funds comprise the financial activities of the Township for the year of 2017:

Regulatory Basis Fund Types

General Fund – The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - Used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

ELK TOWNSHIP
Overbrook, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the General Fund and Special Purpose Funds (unless specifically exempted by statute). Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the 2017 year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budgeted expenditure authority lapses at year end.

ELK TOWNSHIP
Overbrook, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

A legal operating budget is not required for capital projects funds, trust funds and the following special revenue funds:

- 1) Special Machinery Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The preparation of modified cash basis financial statements (see the supplemental information on schedules 1 through 3) requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the summary of cash balances, (see the supplemental information on schedules 1 through 3) cash and cash equivalents are defined as demand deposits and certificates of deposit at banks with maturities of three months or less.

Income Taxes

The Township's payroll tax returns for the years ending 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

ELK TOWNSHIP

Overbrook, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes for the period under audit.

NOTE 3 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Township has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Township's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Township may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State statutes require the Township's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

ELK TOWNSHIP

Overbrook, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (continued)

Custodial Credit Risk – Deposits (continued)

At December 31, 2017, the District's carrying amount of deposits was \$ 121,503 and the bank balance was \$ 122,960 of which \$ 122,960 was covered by FDIC insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 4 – Claims and Judgments

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Township has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2016 to 2017 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the Township is a party to various claims, legal actions and complaints. It is the opinion of the Township's management and legal counsel that these matters are not anticipated to have a material financial impact on the Township.

NOTE 5 – Other Long Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

ELK TOWNSHIP
Overbrook, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Long Term Obligations from Operations(continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

Compensated Absences

The Township follows the guidelines set forth by state guidelines for Sick and Vacation pay policies.

NOTE 6 – Concentration of Credit Risk

The Township currently has all of its demand deposits with one financial institution in a Overbrook, Kansas bank. This is a concentration of credit risk related to deposits.

NOTE 7 – Reclassifications

Prior year beginning cash balances have been reclassified between funds for audit purposes due to the acquisition of a major piece of equipment. Transfer of the cash for 2016 was to be made in 2016, but was not posted. The correction had no effect on the reported results of operations.

NOTE 8 – Subsequent Events

Subsequent events for management's review have been evaluated through July 2, 2018. The date in the prior sentence is the date the financial statements were available to be issued.

ELK TOWNSHIP

For the Year Ended December 31, 2017

Changes in long-term liabilities for the Township for the year ended December 31, 2017 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds None			\$		\$			\$	\$ 0	\$
Capital Leases Grader	2.80%	6/20/16	140,015	6/20/23	140,015	0	19,680	(19,680)	120,335	2,622
Total Long Term Debt			\$ 140,015		\$ 140,015	0	19,680	(19,680)	120,335	2,622

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	2018	2019	2020	2021	2022	2023	Totals
Principal							
General Obligation Bonds	\$	\$	\$	\$	\$	\$	0
Special Assessment Bonds							0
Certificates of Participation							0
Capital Leases	18,512	19,095	19,697	20,317	20,957	21,757	120,335
Revenue Bonds							0
KDHE Loan							0
Temporary Notes							0
Total Principal	18,512	19,095	19,697	20,317	20,957	21,757	120,335
Interest							
General Obligation Bonds							0
Special Assessment Bonds							0
Certificates of Participation							0
Capital Leases	3,791	3,207	2,606	1,985	1,345	546	13,480
Revenue Bonds							0
KDHE Loan							0
Temporary Notes							0
Total Interest	3,791	3,207	2,606	1,985	1,345	546	13,480
Total Principal and Interest	\$ 22,303	\$ 22,302	\$ 22,303	\$ 22,302	\$ 22,302	\$ 22,303	\$ 133,815

Elk Township
Regulatory-Required
Supplementary Information
For the year ended December 31, 2017

ELK TOWNSHIP
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2017

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments to Comply with Legal Max</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Governmental Type Funds						
General	\$ 36,352	\$ 0	\$ 0	\$ 36,352	\$ 27,096	\$ (9,256)
Special Purpose Funds						
Road	220,969	0	0	220,969	180,555	(40,414)

ELK TOWNSHIP
Schedule of Receipts and Expenditures - Actual and Budget
GENERAL FUND
Regulatory Basis
For the Year Ended December 31, 2017

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem property tax	\$ 32,491	\$ 32,805	\$ (314)
Delinquent tax	2,218	100	2,118
Motor Vehicle tax	3,244	3,084	160
Recreational Vehicle tax	74	89	(15)
16/20 M Vehicle tax		158	(158)
Commercial Vehicle tax		58	(58)
Watercraft tax		58	(58)
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>38,027</u>	<u>36,352</u>	<u>1,675</u>
Total Cash Receipts			
	<u>38,027</u>	<u>36,352</u>	<u>1,675</u>
EXPENDITURES			
Officer pay and taxes	3,539	3,000	539
Employment taxes	18,935	18,000	935
Supplies and repairs	3,442	15,289	(11,847)
Insurance	1,180		1,180
Equipment			0
Neighborhood revitalization	0	63	(63)
Operating transfers			0
Adjustment for qualifying budget credits			0
	<u>27,096</u>	<u>\$ 36,352</u>	<u>\$ (9,256)</u>
Total Expenditures			
	<u>27,096</u>	<u>\$ 36,352</u>	<u>\$ (9,256)</u>
Receipts Over (Under) Expenditures	10,931		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 10,931</u>		

ELK TOWNSHIP
Schedule of Receipts and Expenditures - Actual and Budget
ROAD FUND
Regulatory Basis
For the Year Ended December 31, 2017

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem property tax	\$ 194,205	\$ 195,952	\$ (1,747)
Delinquent tax	4,559	2,000	2,559
Motor Vehicle tax	15,372	17,091	(1,719)
Recreational Vehicle tax	493	496	(3)
16/20 M Vehicle tax		873	(873)
Commercial Vehicle tax		321	(321)
Watercraft tax		236	(236)
Special Highway/Gas tax	4,432	4,000	432
FEMA	43,411		43,411
Operating transfers			0
Total Cash Receipts	<u>262,472</u>	<u>220,969</u>	<u>41,503</u>
EXPENDITURES			
Salaries, wages and taxes	53,963	50,000	3,963
Employee benefits		4,000	(4,000)
Supplies and repairs	20,171	29,850	(9,679)
Road materials	79,323	50,000	29,323
Capital Outlay		6,341	(6,341)
Insurance	11,309	8,100	3,209
Fuel	15,789	50,000	(34,211)
Lease purchase		22,303	(22,303)
Neighborhood revitalization		375	(375)
Operating transfers			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>180,555</u>	<u>\$ 220,969</u>	<u>\$ (40,414)</u>
Receipts Over (Under) Expenditures	81,917		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 81,917</u>		

ELK TOWNSHIP

ALL NONBUDGETED FUNDS
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2017

	<u>Special Machinery</u>
CASH RECEIPTS	
Federal grants	\$
Intergovernmental Revenue	
State funds	
Charges for services	
Interest	297
Lease proceeds	
Operating transfers	<u> </u>
Total Cash Receipts	<u>297</u>
EXPENDITURES	
Officer pay and taxes	
Employment taxes	
Supplies and repairs	
Insurance	
Equipment	
Lease purchase	22,302
Neighborhood revitalization	
Operating transfers	<u> </u>
Total Expenditures	<u>22,302</u>
Receipts Over (Under) Expenditures	(22,005)
Unencumbered Cash, Beginning	50,660
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 28,655</u>

ELK TOWNSHIP

summary of expenses

General OP	Taxes	Supplies	insurance	
		75		j
50				
50				
	13.61			
	126	47.17		
	1141.96	45.5		
155.41	136	45.18		f
55.41	1232.02	45.48		
50				
55.41		70		m
210.82		19.6		
	136	46.06		
	1324.62	42.53		
155.41				a
55.41	16.19	82.4		
55.41	1674.35	50		

The notes to the financial statements are an integral part of this statement.